



***Program Compliance Office
Cal Grant Program Review Report***

2000-01 Award Year

**Fashion Careers of California
Program Review ID#80202234300**

**1923 Moreno Blvd.
San Diego, CA 92110**

Program Review Dates:	11/12/2002 - 11/13/2002
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TABLE OF CONTENTS

	<u>Page Number</u>
AUDITOR’S REPORT	
SUMMARY.....	3
BACKGROUND	3
OBJECTIVES, SCOPE AND METHODOLOGY	4
CONCLUSION	5
VIEWS OF RESPONSIBLE OFFICIALS.....	5
FINDINGS AND REQUIRED ACTIONS	6
ATTACHMENT A - STUDENT SAMPLE	
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AUDITOR'S REPORT

SUMMARY

We reviewed Fashion Careers of California's administration of California Student Aid Commission (Commission) programs for the 2000-01 award year.

The institution's records disclosed the following deficiencies:

- Students do not meet new Cal Grant B recipient requirements
- Student disbursement less than eligible due to enrollment status
- Renewal recipients' Cal Grant unmet need could not be recalculated

BACKGROUND

Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants

A, B and C

The following information, obtained from the institution and Commission database, is provided as background on the institution:

A. Institution

- Type of Organization: Private For Profit Postsecondary Vocational Institution
- Chief Executive Officer: Patricia O'Connor
- Accrediting Body: Accrediting Council for Independent Colleges and Schools
- Size of Student Body: 100

B. Institutional Persons Contacted

- Judith Thacker: Chief Operations Officer
- Andrew Bisaha: Chief Financial Officer
- Thomas Cutler: Director of Financial Planning

C. Financial Aid

- Date of Prior Commission Program Review: N/A
- Branches: None
- Financial Aid Programs: Federal: Family Education Loan Program, Direct Loan Programs, Work Study, Pell, SEOG
State: Cal Grant A, B and C
- Financial Aid Consultant: None

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the institution adequately administered the Commission programs and their compliance with applicable laws, policies, contracts and institutional agreements as they pertain to the grant programs administered by the Commission.

The review will focus on, but not be limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. Roster and Reports
- E. File Maintenance and Records Retention
- F. Fiscal Responsibility for Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in the conduct of this review include:

- Evaluate the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluate the current payment procedures through interviews and reviews of student records, forms and procedures.
- Review the records and grant payment transactions from a sample of 22 students who received a total of 9 Cal Grant A awards, 3 Cal Grant B awards and 10 Cal Grant C awards within the review period. The program review sample was selected to include all students awarded.

This review was conducted in accordance with **Government Auditing Standards** issued by the Comptroller General of the United States. However, the procedures did not constitute a review of the institution's financial statements.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the institution's management controls only to the extent necessary to plan the review.

AUDITOR'S REPORT (continued)

**OBJECTIVES,
SCOPE AND
METHODOLOGY
(continued)**

This report is written using the exception-reporting format, which excludes the positive aspects of the institution's administration of the California grant programs.

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the students by name, social security number and grant type.

CONCLUSION

In conclusion, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commissions grant programs.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The review was discussed with agency representatives in an exit conference held on January 29, 2003.

January 29, 2003

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

B. APPLICANT ELIGIBILITY:

FINDING: Students Do Not Meet New Cal Grant B Recipient Requirement

A review of 3 new Cal Grant B student files disclosed 2 cases where the student was not eligible for a new B award.

DISCUSSION:

New Cal Grant B awards are made to entering freshmen or community college transfers who have not completed more than one semester or two quarters of college, 16 part-time units, or four and one-half months of vocational/technical school. All college classes, including remedial and English as a second language (ESL) classes, must be counted in determining if a student meets the definition of entering freshman for Cal Grant B eligibility purposes. Institutions are required to verify that new freshmen Cal Grant B recipients meet the definition of entering freshmen prior to issuing any Cal Grant payments.

Student No. 1 was paid \$1,548 for the 2000-01 award year; however, the student did not meet the definition of an entering freshman. According to academic transcripts, student No. 1 completed 48.5 units prior to the summer 2000 term.

Student No. 4 was paid \$1,677 for the 2000-01 award year; however, the student did not meet the definition of an entering freshman.. According to academic transcripts, student No. 4 completed 29 units prior to the summer 2000 term. The student also received \$4,373 in 2001-02 award year, which they would not be eligible for.

REFERENCES:

Institutional Agreement, Article II.A and III.B.5
Cal Grant Manual, Chapter 2, page 2-6
Cal Grant Manual, Chapter 5, pages 5-13 and 5-20
CSAC Policy Bulletin, GPB 98-02, June 18, 1998

REQUIRED ACTION:

The ineligible amount of **\$1,548** for student No. 1 and **\$6,050** (\$1,607 + \$4,373) for student No. 4 must be returned to the Commission per general payment instructions located at the conclusion of this report.

AUDITOR REPLY:

The institution returned \$1,548.00 on check #41319 and \$6,050 on check #41320, this action is deemed acceptable and no further action is required.

FINDINGS AND REQUIRED ACTIONS (continued)

**C. FUND
DISBURSEMENT AND
REFUNDS:**

FINDING: Student Disbursement Less Than Eligible Due to Enrollment Status

A review of 22 student files disclosed one case where a student was paid less than what they were eligible to receive due to enrollment status.

DISCUSSION:

A recipient's attendance status must reflect the school's definition of full-time, three-quarter time, or half-time enrollment. The attendance status must be determined according to the recipient's attendance at the time funds are paid to the recipient or credited to the recipient's account.

The institution's enrollment status policy is as follows:

Full-time:	12 units or more
Three-quarter-time:	9-11.5 units
Half-time:	6-8.5 units

Student No. 18 was enrolled in and completed 9 units (three-quarter time) during winter 2001 and 12.5 during spring 2001 (full-time) and was eligible for a total of \$903 (\$387 winter + \$516 spring). The student was only paid \$645 (\$258 half-time for winter 2001 and \$387 three-quarter time for spring 2001). Thus, student No. 18 was not afforded the maximum payment by \$258 (\$903-\$645).

REFERENCES:

Institutional Agreement, Article III.A.2
Cal Grant Manual, Chapter 5, pages 5-14 through 5-15 and page 5-20
Cal Grant Manual, Chapter 9, pages 9-4 and 9-6

REQUIRED ACTION:

The institution must provide the written policies and procedures to ensure that enrollment status is reported accurately to ensure students receive the maximum Cal Grant award.

AUDITOR REPLY:

The institution provided the policies and procedures to ensure that enrollment status is reported accurately which is deemed acceptable and no further action is required.

FINDINGS AND REQUIRED ACTIONS (continued)

**E. FILE
MAINTENANCE
AND RECORDS
RETENTION:**

FINDING: Renewal Recipients' Cal Grant Unmet Need Could Not Be Recalculated

A review of 5 renewal Cal Grant student files disclosed 2 cases where the reported unmet need could not be recalculated.

DISCUSSION:

For renewal students, schools must calculate a student's unmet need and report that figure to the Commission, retaining the supporting documentation within the student's record. Schools may use the Commission's annually established student expense budget or the school may adopt its own student budget for determining renewal financial eligibility provided the budgets do not exceed those used for campus-administered aid. The school must report the resulting net unmet need amount on the Grant Roster or the Commission G-21 letter. Net unmet need is defined as a student's budget minus the Expected Family Contribution (EFC) and Pell grant.

The unmet needs reported for student No. 14 (\$26,037) and student No. 15 (\$16,044) could not be reconstructed from the students' files.

REFERENCES:

Higher Education Act, Part F – Need Analysis
Cal Grant Manual, Chapter 4, page 4-3
Cal Grant Manual, Chapter 5, pages 5-2, 5-8, 5-15 and 5-16

REQUIRED ACTION:

Although no liability resulted due to the high cost of attendance and need, the institution must submit in response to this report, the procedures implemented to ensure that the reported **unmet need reflects the recipient's annual need as a full-time student for the award year**.

AUDITOR REPLY:

The institution provided the procedures implemented to ensure that the reported unmet need reflects the recipient's annual need as a full-time student for the award year. This action is deemed acceptable and no further action is required.

ATTACHMENT A - STUDENT SAMPLE
